GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1936
ANSWERED ON:24.08.2007
OPENING PSB BRANCHES IN RURAL AND URBAN AREAS
Ajaya Kumar Shri S.

Will the Minister of FINANCE be pleased to state:

(a) Whether the Public Sector banks have asked the Governments permission to open more branches in Rural and Urban areas to compete with banks in private sector;

(b) if so, the details thereof;

(c) whether the Public Sector banks have demanded the Government to allow them to go in big way for housing loans advances; and

(d) if so, the steps taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a)& (b): Government assigns top priority to opening of bank branches in rural centres and unbanked areas, for financial inclusion of the poor and the Weaker Sections to bring them within the network of financial services offered by the Banking Sector.

Under the Branch Authorisation Policy of RBI issued in September, 2005, banks have been given freedom to submit their Branch Expansion Plans to RBI for approval on annual basis. Banks are encouraged to open branches in rural and under-banked areas, keeping in view factors such as the nature and scope of banking facilities provided by the banks to common persons, actual credit flow to the Priority Sector, need for promoting financial inclusion, introduction of appropriate new products and enhanced use of technology for delivery of banking services.

The branch authorization policy of RBI also aims at inducing enhanced competition within the banking sector both for Public and Private Sector Banks to provide quality banking services.

(c) & (d): The Reserve Bank of India (RBI) has de-regulated interest rates on advances above Rs 2 lakh, including the housing loans, with effect from October 18, 1994 and interest rates are determined by the banks themselves with the approval of their Boards. For credit limit up to Rs.2 lakh, the Benchmark Prime Lending Rate (BPLR) has been prescribed as the ceiling lending rate.

As per Master Circular on Housing Finance dated 2.07.2007 of the RBI, banks are free to evolve their own guidelines of Housing Finance with the approval of their Boards on aspects such as security, margin, age of dwelling units, repayment schedule etc.